



MSMO Industry Day

April 22, 2009
Washington Navy Yard



Objective & Agenda

MSMO Spiral 2 Industry Day:

Objective:

Outline way ahead for MSMO Spiral 2 and continue communications with Ship Repair Industry

Agenda:

- Spiral 1 to Spiral 2 Evolution
- Upcoming Solicitations
- Discussion/Q&A



Spiral 2 Solicitation

Section L - Technical Category:

Technical Category expanded to include more robust data requirements:

- Management Approach...expanded with more focused or additional areas:
 - Enhanced requirement to provide plan to integrate and familiarize all sub-contractors to the Offeror's MSMO execution philosophy & strategy
 - Total allocation of work to be accomplished by the Offeror, each Significant Subcontractor and by other subcontractors
 - Offeror/Significant Subcontractor labor agreements
 - Describe Offeror & Significant Subcontractor cost reporting system
 - Discuss the contract's data deliverable requirements
 - Discuss the Offeror's facility security plan
 - Enhanced requirement to describe Offeror's method for tracking actual progress versus planned progress and processes to regain planned progress when variance occurs

Improved Correlation Between Technical & Cost



Spiral 2 Solicitation

Section L - Technical Category:

Continued...

- Technical Approach (new)...present overall approach to:
 - Identify, define & schedule major milestones on critical path
 - Planning through validation of GFI/GFM
 - Prefabrication/advance staging
 - Rip-out, repair, (re)installation, test of the work requirements & compartment close-out
- Resource Capability...expanded with 2 new areas:
 - Provide a craft/trade staffing plan for this MSMO period of performance including current contracted and projected workload; shifts; and staffing levels based on Notional Work Package Work Items (including “999”)
 - Discuss how temporary contract labor will be utilized to augment employee staffing; include ratio of employee to temporary contract labor
- Other
 - Page count limit expanded from 75 to 125 pages to reflect requirement for additional data and information

Improved Correlation Between Technical & Cost



Spiral 2 Solicitation

Section L - Cost Category:

Notional Work Package

- Expanded to reduce reliance on “999” work item
- More representative of actual work based on Pareto analysis of historical work packages
- Offerors provided Trade Mix & Manhours for costing the “999” work item

Insignificant Subcontractors

- Increased requirement for supporting cost data when...
 - “the aggregate of non-significant subcontractors proposed exceeds 25% of the total direct dollars for a particular availability type”

Risk Assessment (new)

- Offeror self-assessment in areas of risk associated with assumptions of projected workload and formulation of rates

Material

- New Matrix for time-phasing material costs to reflect outyear escalation

**Improved Requirements Definition & Supporting
Cost Data**



DDG Avail Breakdown Spiral 1 and 2 Comparison:

DDG Projected Manday Allocations					
		Spiral 1		Spiral 2	
Avail Type	Total M/D	Notional M/D	999 M/D	Notional M/D	999 M/D
EDSRA	100%	27%	73%	45%	55%
ESRA	100%	35%	65%	58%	42%
DSRA	100%	39%	61%	65%	35%
SRA	100%	71%	29%	85%	15%

- **Character of “999” Mandays has changed**
 - RFP will provide estimated Manday and trade/skill mix allocations

$$\begin{array}{l} \text{The Manday Math:} \\ \begin{array}{l} \text{Repair MDs} \\ + \text{EM/CM MDs} \\ + \text{Mod Pkg MDs} \\ = \text{Total MDs} \\ - \text{Notional MDs} \\ = \text{“999” MDs} \end{array} \end{array}$$

**Spiral 2: Better Requirements Definition + Stronger
Correlation of Cost/Technical Proposals = Improved
Cost Realism**



MSMO Spiral 2 Hybrid Fee Structure:

Spiral 1	Award Fee 10.0%				Special Fee 1.232%	Total Fee 11.232%
	Technical (20%)	Mgmt (30%)	Cost (30%)	Schedule (20%)	Small Business Utilization	
	2.0%	3.0%	3.0%	2.0%	1.232%	
Spiral 2	Award Fee 4.0%		Incentive Fee 7.232%			Total Fee 11.232%
	Technical	Mgmt	Cost	Schedule		
	1.6%	2.4%	6.0%	1.232%		

➤ Cost Plus Incentive Fee Contract with Award Fee Component:

- Incentive Fee structure provides predetermined objective targets for contractor performance relating to Cost and Schedule factors
- Award Fee structure provides mechanism to assess and effectively motivate other important elements of MSMO contractor performance that cannot be objectively assessed with measurable data---specifically limited areas of technical and management performance

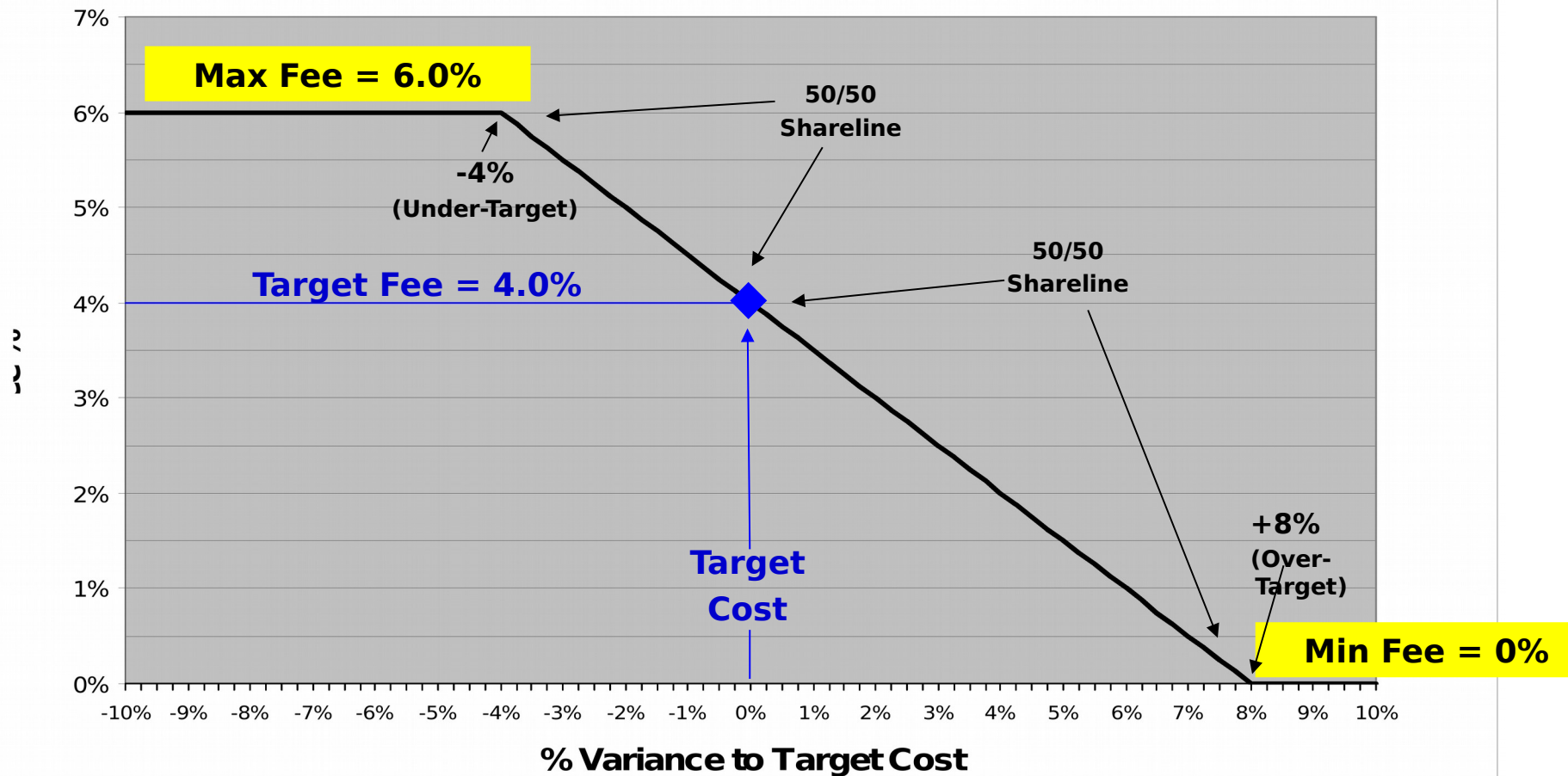
➤ 40% Small Business Percentage Requirement per contract remains

- Over 40% Incentive eliminated



Cost Incentive Fee Shareline Structure:

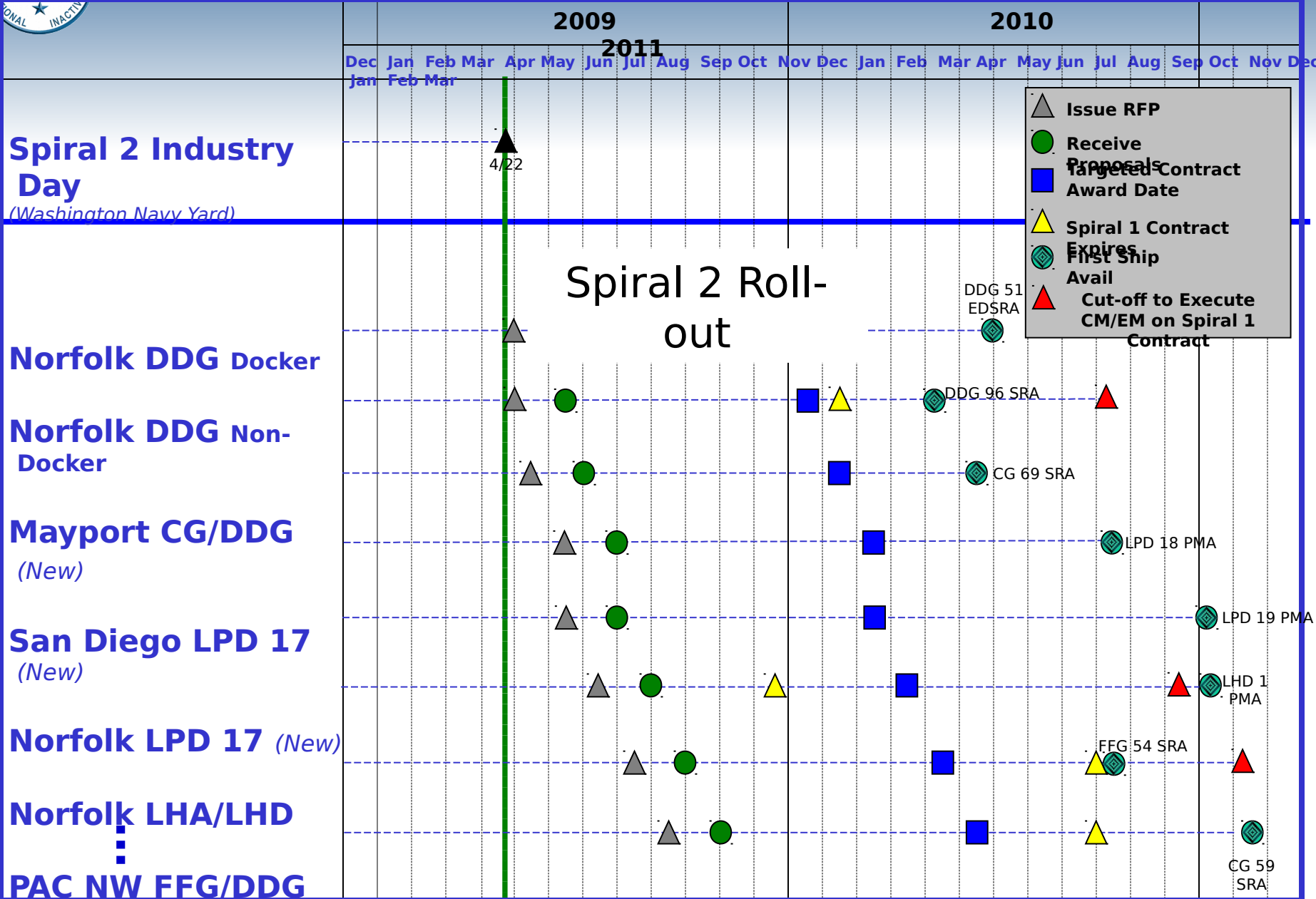
MSMO Spiral 2 Cost Incentive





MSMO Milestone Timeline

20 Apr
09





MSMO Spiral 2

What We Need From You:

- Review the entire proposal!
 - Identify areas requiring clarification early
- Proposal Submission
 - Strong correlation between Cost & Technical Proposals
 - Responsive
 - Timely
 - Lacking Deficiencies & Inconsistencies



QUESTIONS?



MSMO Spiral 2

Cost Incentive Fee:

Cost Plus Incentive Fee Structure:

- **Target Cost**
- **Target Fee**
- **Max Fee**
- **Min Fee**
- **Sharelines:**
 - Contractor's "share" of over/under results in adjustment to Target Fee \$\$
 - Fee Adjustments made up to Max Fee or down to Min Fee
 - Displayed as Government Share/Contractor Share (e.g. 10/90)

Features of Cost Incentive Fee Shareline:

- **50/50 under-target shareline up to Max Fee**
 - Contractor Fee Adjustment = 50% of under-target
- **50/50 over-target shareline down to Min Fee**
- **Max Fee Plateau infinitum @ 6.0%**
- **Min Fee of 0% reached by over-target of 8%**
 - Total Cost Fee earned goes to 0%
 - Under Spiral 1 Award Fee structure, contractor earns fee only on contractor Fee Bearing Estimated Cost (FBEC), not on the overrun amount

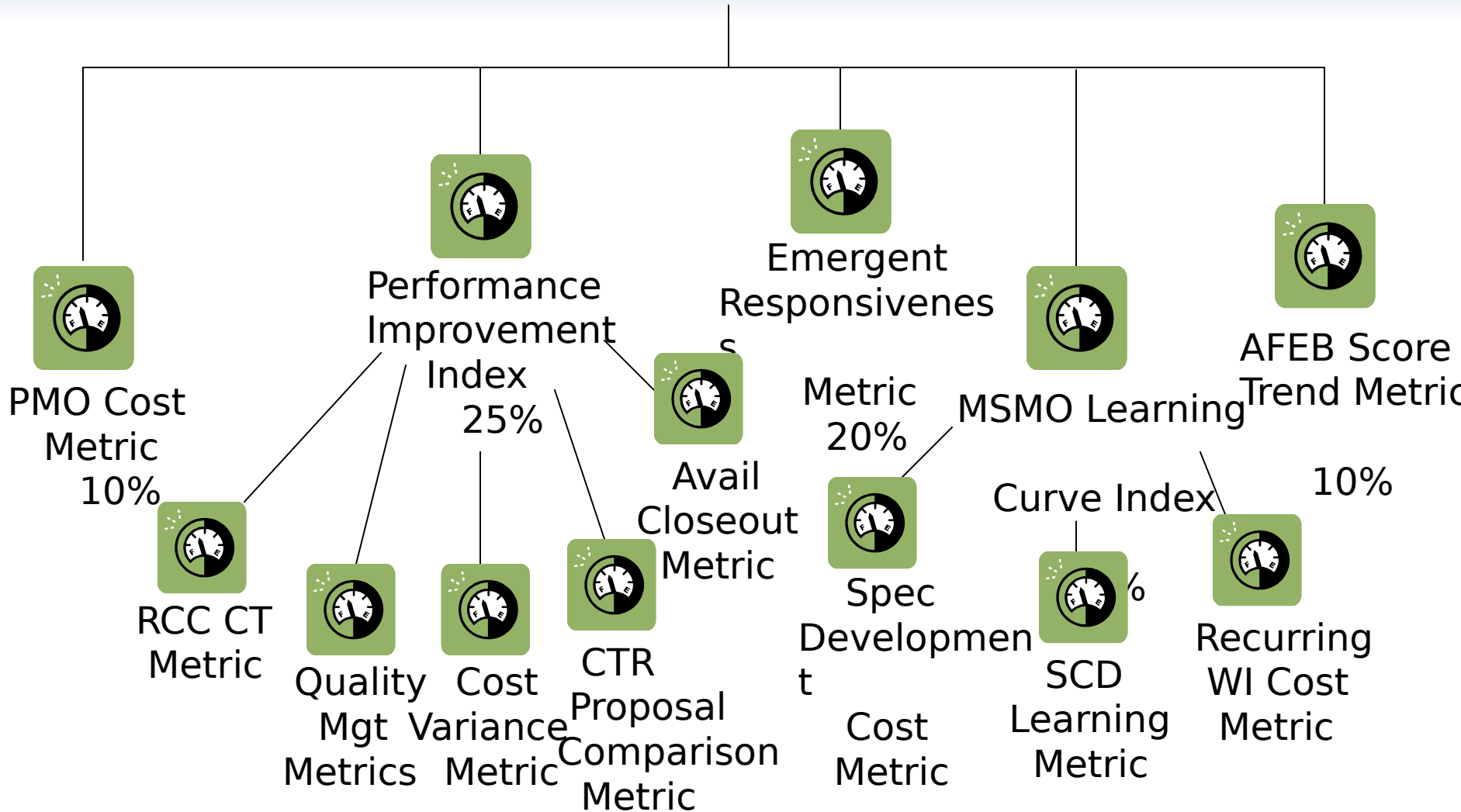


MSMO Spiral 2 Metrics

Future Bridgeplot:



MSMO Approach Index





MSMO Spiral 2

Performance Benchmarks:

Section B, NOTE B - GOVERNMENT RIGHT TO NOT EXERCISE FUTURE OPTIONS

Whether to exercise an option is solely within the Government's discretion. However, part of the Government's decision to exercise an option or options may be based on how well, in the Government's determination, the Contractor has been performing the contract. The Government reserves the right to not exercise future option(s) if, among other reasons:

- Contractor's **Management & Technical** Award Fee-based Performance Rating (PR) scores are evaluated as:
 - "Yellow" for any availability within the first year of contract performance
 - "Green" for any availability within the second year of contract performance
 - "Purple" for any availability within the third year of contract performance
- Contractor's **Cost** Performance:
 - Final Cost, excluding growth reservation, exceeds Target Cost by more than 8%, within the first year of contract performance
 - Final Cost, excluding growth reservation, exceeds Target Cost by more than 6%, within the second year of contract performance
 - Final Cost, excluding growth reservation, exceeds Target Cost by more than 4%, within the third year of contract performance
- Contractor's **Schedule** Performance:
 - In first year of contract performance, up to 2 missed major milestones and the possibility of impacting the contract completion date
 - In second year of contract performance, Ship Delivery on schedule, but integration of Ship's Force, SIMA and AIT work packages had impact to major milestones and/or incorporation of authorized changes had impact to minor milestones
 - In third year of contract performance, all Contractual Dates met, but integration of Ship's Force, SIMA and AIT work packages had impact to minor milestones and/or incorporation of authorized changes after the 25% point had impact to minor milestones